MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018

PMA0064 – ESSENTIALS OF MANAGEMENT ACCOUNTING

(All sections / Groups)

28 OCTOBER 2017
2.30 p.m - 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **FOUR** printed pages excluding cover page with **FOUR** questions only.
2. Answer **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Write your answers in the Answer Booklet provided.

QUESTION 1

Barang Asas Sdn Bhd (BASB) manufactures two types of product; HT and JY. The company decided to assign the overhead costs to products more appropriately by using an activity-based costing that relies on activity cost driver rate rather than plantwide overhead rate.

The manufacturing overhead costs incurred were categorised according to activity cost pools were as follows:

Activity cost pool	Activity cost driver	Activity costs
Machine setups	Setup hours	RM50,000
Machining	Machine hours	150,000
Purchase ordering	Number of orders	120,000
Inspection	Inspection hour	100,000
Packing and shipping	Number of shipments	24,000

Data pertaining to manufacturing activities for both products with regards to activity cost drivers is as shown below:

Activity cost driver	HT	JY	Total
Setup hours	6,000	4,000	10,000
Machine hours	40,000	20,000	60,000
Number of orders	1,200	800	2,000
Inspection hour	200	300	500
Number of shipments	70	50	120

Required:

(a) Calculate the activity cost driver rates for each activity.

(10 marks)

(b) Calculate the overhead cost assigned for both products.

(10 marks)

(c) Explain why activity based costing is preferable compared to traditional costing system and list FOUR (4) steps to design activity based costing system

(5 marks)

[TOTAL 25 MARKS]

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QUESTION 2

Kareena Sdn Bhd (KSB) produces and sells cotton jerseys. The company uses variable costing for internal purposes and absorption costing for external purposes. The following cost information pertaining to KSB for the year ended 31 December 2016 as follows:

Variable costs Direct materials used Direct labour	 RM120,000 80,000
Fixed manufacturing overhead costs Depreciation Building rental Factory insurance Indirect labour	 20,000 30,000 30,000 12,000
Fixed non-manufacturing costs Advertisement and promotions Administration staff salaries	 10,000 12,000
Variable manufacturing overhead costs Raw material-handling cost	 140,000
Variable non-manufacturing costs Sales commissions	 34,000

In January 2016, KSB produces 40,000 pieces. There was no opening inventory and the closing inventory as at 31 December 2016 was 5,000 pieces. Selling price for a piece of cotton jersey is RM15.

Required:

(a) Calculate the unit product cost under absorption costing and variable costing method.
(5 marks)

(b) Prepare income statements for the year ended 31 December 2016 using absorption costing method.
(8 marks)

(c) Prepare income statements for the year ended 31 December 2016 using variable costing method.
(12 marks)

[TOTAL 25 MARKS]

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QUESTION 3

Part A

Wangi Florist produces and sells variety of artificial glass flowers. The most well-known product is STE-M. Below are the information of 20,000 units of STE-M produced and sold:

Variable cost per unit	RM5 per unit
Contribution margin	RM150,000
Fixed overhead cost:	
Production	60,000
Administration	25,000
Research and development	11,000

Required:

(a) Using the data above, calculate:
 i. selling price per unit
 ii. break-even point in unit and RM

(10 marks)

(b) How many units of STE-M must be sold if the manager wishes to earn a minimum profit of RM200,000? *(round up your answer to the next integer)*

(3 marks)

(c) State TWO (2) assumptions of the Cost-Volume-Profit analysis.

(2 marks)

Part B

Impian Tradisi Sdn Bhd (ITSB) supplies women clothing such as *baju kebaya* and *baju kurung* to retailer throughout KlangValley and currently running at 90% of its capacity. The full production capacity is 5,000 pairs. The company received a special-order inquiry from Baju Tradisi Sdn Bhd (BTSB) to market 2,000 pairs of *baju kebaya* with matching scarf, which within its capacity. BTSB has offered to pay ITSB RM150 per pair. Cost for the 2,000 pairs ordered are as follows:

Direct materials	RM40,000
Direct labour	RM12,500
Variable manufacturing overhead	RM8,000

Should ITSB accept the special order from BTSB? Justify your answer.

(10 marks)

[TOTAL 25 MARKS]

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QUESTION 4

Malar Company produces and sells a product, VX7. The company's product sells for RM12 per unit. Budgeted sales in units for the year are as follows:

	Quarter 1, 2017	Quarter 2, 2017	Quarter 3, 2017	Quarter 4, 2017
Budgeted sales in units	20,000	30,000	50,000	25,000

The company requires an ending inventory of finished goods in hand at the end of each quarter equal to 30% of the budgeted sales for the next quarter. At the end of 2016, the company had 6,000 units finished goods in hand. Sales for the first quarter of 2018 are budgeted at 35,000 units.

Required:

(a) Prepare sales budget followed by production budget for Quarter 1 to Quarter 4 for Malar Company.

(20 marks)

(b) List FIVE (5) purposes of budget.

(5 marks)

[TOTAL 25 MARKS]

END OF PAPER